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December 3, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

Re: D.T.E. 04-85 — Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Power Purchase Agreements with Northeast Energy Associates Limited Partnership

Dear Secretary Cottrell:

Enclosed for filing is the Initial Brief of Boston Edison Company and Commonwealth Electric Company, d/b/a NSTAR Electric in the above-referenced proceeding. Also enclosed is a certificate of service.

Thank you for your attention to this matter.

Sincerely,

Robert N. Werlin

Enclosure

cc: Joan Foster Evans, Hearing Officer
Service List

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company Commonwealth Electric Company	)	D.T.E. 04-85

CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing document upon the Department of Telecommunications and parties of record in accordance with the requirements of 220 C.M.R. 1.05 (Department's Rules of Practice and Procedures).

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Dated: December 3, 2004

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Purchase Power Agreements with Northeast Energy Associates Limited Partnership	)	D.T.E. 04-85

INITIAL BRIEF OF BOSTON EDISON COMPANY

AND COMMONWEALTH ELECTRIC COMPANY d/b/a NSTAR ELECTRIC

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December 3, 2004

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INITIAL BRIEF OF BOSTON EDISON COMPANY AND COMMONWEALTH ELECTRIC COMPANY d/b/a NSTAR ELECTRIC

I. INTRODUCTION

On September 29, 16, 2004, Boston Edison Company ("Boston Edison") and Commonwealth Electric Company ("Commonwealth") (together, "NSTAR Electric" or the "Companies") petitioned the Department of Telecommunications and Energy (the "Department"), pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94 and 94A, for approval of: (a) Bellingham Execution Agreement dated August 19, 2004 between the Petitioners and Northeast Energy Associates Limited Partnership ("NEA"); (b) the four associated and Amended and Restated Purchase Power Agreements, two PPAs each between (1) Boston Edison and NEA and (2) Commonwealth and NEA (collectively, the "NEA Restructuring"); and (c) approval of ratemaking treatment relating to the NEA Restructuring (together, the "Petition").[1]

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[1] On November 16, 2004, the Companies also requested Department approval of the First Amendment to the Bellingham Execution Agreement, which increased the maximum credit that can flow from NEA to customers for higher natural gas prices under the mark-to-market provisions of the Bellingham Execution Agreement from $27.6 million to $80 million (Exh. NSTAR-2, at paragraphs 2-4).

The Companies' initial filing included the Petition and: (1) the pre-filed testimony of Geoffrey O. Lubbock (Exh. NSTAR-GOL); (2) the pre-filed testimony of Robert B. Hevert (Exh. NSTAR-RBH); and (3) supporting exhibits thereto.[2] The NEA Restructuring is attached as Appendix A to the Companies' Petition, which is included in the record as Exhibit NSTAR-1. Exhibit NSTAR-2, which is the first amendment to the Bellingham Execution Agreement, was filed with the Department on November 16, 2004.

On October 13, 2004, the Office of the Attorney General (the "Attorney General") filed a notice of intervention. On October 27, 2004, a public hearing was held followed by a procedural conference. The Department held an evidentiary hearing in this proceeding on November 18, 2004. The evidentiary record in this case includes approximately 155 exhibits, the transcript of the evidentiary hearing held on November 18, 2004 and the responses to ten record requests.

In support of the Petition, the Companies presented the testimony of Geoffrey O. Lubbock, Vice President, Financial Strategic Planning & Policy for NSTAR Electric & Gas Corporation. Mr. Lubbock provided information regarding the NEA Restructuring Agreements and related customer savings, including the positive effect of the NEA Restructuring Agreements on the Companies' Transition Charge. In addition, the Companies presented the testimony of Robert B. Hevert, President of Concentric Energy

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[2] The Companies' supporting exhibits include: (1) Exhibit NSTAR-GOL-1 through Exhibit NSTAR-GOL-4; (2) Exhibit NSTAR-BEC-GOL-1 through Exhibit NSTAR-BEC-GOL-4; (3) Exhibit NSTAR-COM-1 through Exhibit NSTAR-COM-4; (4) Exhibit NSTAR-RBH-1 through Exhibit NSTAR-RBH-6. Exhibit NSTAR-BEC-GOL-3 **CONFIDENTIAL**, Exhibit NSTAR-BEC-GOL-4 **CONFIDENTIAL**, Exhibit NSTAR-COM-GOL-3 **CONFIDENTIAL**, Exhibit NSTAR-COM-GOL-4 **CONFIDENTIAL** and Exhibit NSTAR RBH-6 **CONFIDENTIAL** contain confidential information that is the subject of a Motion for Protective Order.

Advisors, Inc., ("CEA"), to discuss the specifics of NSTAR Electric's 2003 PPA Auction (the "2003 Auction") that resulted in the execution of the NEA Restructuring Agreements. As set forth herein, the NEA Restructuring Agreements were arrived at after an open, competitive and vibrant auction, consistent with Department precedent. As a result, the NEA Restructuring Agreements will result in significant savings for the Companies' customers on a net-present-value ("NPV") basis.

The evidence provided by the Companies in this proceeding (together with the record in Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 04-60 (2004) ("Pittsfield")),[3] was subject to extensive discovery and cross examination. Pittsfield at 25. The Companies provided electronic versions of documents that allowed for thorough examination by all parties of underlying formulas and calculations. Id. Based on the evidence presented, the Companies have demonstrated that they have met the standards established in the Electric Restructuring Act, Chapter 164 of the Acts of 1997 (the "Act"), regarding the mitigation of transition costs (including the buyout of purchase-power agreements ("PPAs")), and that the 2003 Auction is consistent with: (1) Boston Edison's restructuring settlement (the "Restructuring Settlement"), as approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23 (1998); (2) Commonwealth's Restructuring Plan, as approved by the Department in Cambridge Electric Light Company/Canal Electric Company/Commonwealth Electric Company, D.P.U./D.T.E. 97-111 (1998); and

[3] The records in D.T.E. 04-60, D.T.E. 04-61, D.T.E. 04-68, D.T.E. 04-78 were incorporated by reference into the evidentiary record in this case (Tr. 1, at 5-6) pursuant to 220 C.M.R. § 1.10(3).

(3) Department precedent. Accordingly, the Companies respectfully requests the Department approve the Petition.

II. DESCRIPTION OF THE TRANSACTION

As a result of the 2003 Auction, the NEA Restructuring was executed on August 19, 2004 (Exh. NSTAR-1, Appendix A). The NEA unit is a gas-fired electric and steam generation plant composed of two gas turbines, two heat recovery steam generators and one steam turbine. The unit is rated at 264.4 megawatts ("MWs") in the summer and 327.1 MW in the winter (Exh. NSTAR-GOL at 12). NSTAR Electric has four PPAs to purchase power from the NEA generating facility: (1) the Boston Edison/NEA-A PPA ("NEA-A) dated April 1, 1986 is for 46.6 percent of the unit; (2) the Boston Edison NEA-B PPA ("NEA-B") dated January 28, 1988 is for 28.9 percent of the unit, but is capped at a specific number of MW, not to exceed 68 MW in the Summer and 92 MW in the winter; (3) the Commonwealth Electric/NEA-1 PPA ("NEA-1") dated November 26, 1986 is for 8.6 percent of the unit; and (4) the Commonwealth Electric/NEA-2 PPA ("NEA-2") dated August 15, 1988 is for 7.2 percent of the unit (Exh. NSTAR-GOL at 11-12). The term of the NEA-A, NEA-1, and NEA-2 contracts run through September 15, 2016, while the term of the NEA-B contract runs through September 15, 2011. The pricing provisions of the NEA PPAs vary by contract ranging from fixed payments per kilowatt-hour ("kWh") under NEA-A, NEA-B and NEA-2 to a combination of fixed and variable prices linked to the price of fuel oil under NEA-1 (id. at 12).

Under the NEA Restructuring, NSTAR Electric will re-sell all delivered energy and capacity received from NEA to the market and will pay the proceeds of that sale to NEA (Exh. NSTAR-GOL at 13). The terms for each of the Amended and Restated

Agreements remain consistent with the existing NEA PPAs in terms of the quantity of output delivered and the length of the contracts (id.).

Under the NEA Restructuring, the total contract costs that the Companies will pay NEA are split into three distinct categories: (1) Market Value of Products (energy and capacity); (2) Support Payments; and (3) the Closing Payment. The Support Payment represents a discounted valuation of the out-of-market costs under the pricing provisions of the Existing PPAs (Exh. NSTAR-GOL at 16; Exh. DTE-2-8). The Support Payment is substantially lower than the forecasted above-market costs under the existing NEA PPAs. In return for this reduction to its out-of-market obligation, NSTAR Electric will allow NEA the option of sourcing its delivery obligations from the Bellingham Facility or from the market (Exh. NSTAR-GOL at 16; Exh. DTE-2-3).

The Closing Payment is designed, among other things, to provide certain adjustments for market changes that have occurred since the bid date on December 3, 2003. The Closing Payment has two components: (1) the Closing Date Amount, which calculates the difference between what NSTAR actually paid under the existing PPAs and what it would have paid under the Amended and Restated PPAs (Exh. NSTAR-GOL at 17-21); and (2) the Adjusted Bid Price Amount, which accounts for changes in wholesale energy market prices (Exh. NSTAR-GOL at 18, 21-24; Exh. NSTAR-GOL-4).

The NEA Restructuring is designed so that, when approved by the Department, NSTAR Electric and NEA will adjust, to the extent possible, the economics of the restructuring of the four PPAs as if the closing had occurred on April 1, 2004. NSTAR Electric has continued to receive all electric products under the existing NEA PPAs and is continuing to pay according to the pricing provisions of the existing PPAs. Concurrently, the parties are calculating what the payments would have been under the NEA Restructuring since April 1, 2004 (Exh. NSTAR-GOL at 16-17). The adjustment to April 1, 2004 is the difference between what NSTAR Electric actually paid under the existing NEA PPAs and what it would have paid had the NEA Restructuring been in place beginning on April 1, 2004. This amount, payable at closing, is defined as the Closing Date Amount in the Execution Agreement (Exh. NSTAR-1, Appendix A at 4-5).

As noted above, the Adjusted Bid Price Amount accounts for changes in wholesale energy market prices and establishes a maximum credit that would flow from NEA to customers for higher natural gas prices that have occurred since the bid date of December 3, 2003 (Exh. AG-1-37). The First Amendment to the Bellingham Execution Agreement raised the cap on the maximum credit from $27.6 million to $80 million (Exh. NSTAR-2, paragraphs 2-4, amending Section 5.5(b) of the Bellingham Execution Agreement). The First Amendment will likely result in a significant Closing Payment to be made by NEA to the Companies and their customers.

III. STANDARD OF REVIEW

General Laws c. 164, § 1G allows electric companies to renegotiate above-market power purchase contracts to achieve the maximum mitigation of transition costs. G.L. c. 164, § 1G(d)(1) and (2). The Act provides further that, if a contract renegotiation, buy-out or buy-down is likely to achieve savings to customers and is otherwise in the public interest, the Department is authorized to approve the recovery of the costs associated with the contract restructuring. G.L. c. 164, § 1G(b)(1)(iv).

In reviewing power contract buyouts, buydowns and renegotiations, the Department has applied a standard of reasonableness. Boston Edison Company, D.T.E.

04-68, at 3 (2004) ("Ocean State Power"); Pittsfield at 6; Canal Electric Company/Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 02-34, at 21 (2002); Cambridge Electric Light Company, D.T.E. 01-94, at 7 (2002); Commonwealth Electric Company, D.T.E. 99-69, at 7 (1999); Boston Edison Company, D.T.E. 99-16, at 5-6 (1999); Western Massachusetts Electric Company, D.T.E. 99-56, at 7-8 (1999).

In assessing the reasonableness of a power-purchase contract renegotiation, buy-out or buy-down, the Department reviews available information to ensure that the agreement is consistent with the public interest. Ocean State Power at 3-4; Pittsfield at 6; Western Massachusetts Electric Company, D.T.E. 99-101, at 5-6 (2000); Commonwealth Electric Company, D.P.U. 91-200, at 5 (1993); Boston Edison Company, D.P.U. 92-183 (1992).

In determining whether a contract amendment or termination is consistent with the public interest, the Department considers whether the termination is consistent with an electric company's approved restructuring plan. Ocean State Power at 3-4; Pittsfield at 6-7. In Boston Edison Company, D.P.U./D.T.E. 96-23, at 46-47 (1998), the Department found that Boston Edison's Restructuring Settlement, which requires the Company to endeavor to sell, assign or otherwise dispose of its purchase-power contracts, was consistent or substantially complied with the Act. In addition, in D.P.U./D.T.E. 97-111, at 90 (1998), the Department found that Commonwealth's approved Restructuring Plan, which provided for the buy-out and buy-down of above-market purchase-power obligations, was consistent with or substantially complied with the Act. Id. Commonwealth's Restructuring Plan, approved by the Department in D.P.U./D.T.E. 97-

111, requires that Commonwealth undertake all reasonable steps to mitigate its transition costs and encourages them to divest their non-nuclear generating assets.

The NEA Restructuring requires that the Companies receive a final order from the Department approving the permanent assignment of the NEA Restructuring in accordance with the terms of the NEA Restructuring and approving the full recovery of payments made by Boston Edison and Commonwealth to NEA through the Transition Charge.

IV. THE AUCTION AND THE NEA RESTRUCTURING ARE CONSISTENT WITH THE ACT AND THE COMPANIES' APPROVED RESTRUCTURING SETTLEMENT AND RESTRUCTURING PLAN.

A. The NEA Restructuring Is the Result of an Open and Competitive Auction, Consistent with the Act's Requirement To Maximize Mitigation of Transition Costs.

As described in Mr. Hevert's testimony, the 2003 Auction was open, competitive and maximized the mitigation of the Companies' transition costs relating to the NEA PPAs. NSTAR Electric began developing the 2003 Auction in July, 2003 (Exh. NSTAR-RBH at 6). NSTAR Electric retained CEA (after a competitive bid process (see Exh. AG-1-3 [D.T.E. 04-60], Att. AG-1-3(b); Exh. AG-3-2 **(CONFIDENTIAL)** [D.T.E. 04-60]) to assist in developing the 2003 Auction. NSTAR Electric and CEA sought to design an auction that was equitable and structured to maximize the mitigation of transition costs associated with the entitlements under the Companies' PPAs (as well as those of Cambridge Electric Light Company) (the "PPA Entitlements") (Exh. NSTAR-RBH at 7). As described by Mr. Hevert, the objective was to implement a process that ensured complete, uninhibited, non-discriminatory access to all data and information by any and all interested parties seeking to participate (id. at 7). The primary objectives of the divestiture process included:

- Minimizing the above-market costs associated with the PPAs;
- Developing, implementing and maintaining the most competitive auction process possible;
- Ensuring fair treatment of all bidders; and
- Ensuring that the auction process was timely, efficient, and unbiased (id.).

Initially, CEA undertook an aggressive preliminary marketing campaign during which interest in the PPA Entitlements was developed and solicited from numerous potential bidders (id. at 10). The initial marketing phase began on October 1, 2003 when NSTAR Electric publicly announced its intention to sell or transfer the 24 PPA Entitlements (id. at 10). Following that announcement, an Early Interest Package was sent to approximately 90 potential bidders including the counterparties to the PPAs,[4] global, national and regional energy companies, unregulated affiliates of electric and gas utility companies, project developers, energy marketers, financial advisors and investment firms (id.).

The Early Interest Package included an Early Interest Letter ("EIL"), a Confidentiality Agreement, and a Request for Qualifications ("RFQ") (id.; see also Exh. NSTAR-RBH-3). The EIL provided a brief description of the PPA Entitlements, a general overview of the regional market, and contact instructions for interested parties seeking additional information regarding the Contracts or wishing to participate in the

[4] A counterparty is the entity with which NSTAR Electric has a PPA. Generally, the counterparty is the owner of the generation facility (Tr. 1, at 128 [D.T.E. 04-60]).

bidding process (Exh. NSTAR-RBH at 11). The EIL also encouraged interested parties to consider bidding on any or all of the PPA Entitlements (id.).

The broad distribution of the Early Interest Package and the direct marketing efforts undertaken by CEA were intended to maximize the likelihood of participation by the largest and most competitive group of qualified bidders (id. at 11). In order to further this objective, bidders were required to execute a Confidentiality Agreement as a condition of receiving any further information regarding the PPA Entitlements and to submit a completed Qualifications Package in order to be considered "Qualified Bidders" (id. at 11-12). By November 15, 2003, the issuance of the EIL resulted in 25 parties signing Confidentiality Agreements and submitting complete qualifications packages (id. at 11-12).

Of these 25 parties, 22 participated in the Due Diligence Stage of the auction, whereby these participants received an Offering Memorandum and a documentation CD-ROM that included all of the Companies' PPAs and associated invoices (id. at 14). Bidders had the opportunity throughout the Due Diligence Stage to submit questions to CEA and the Companies regarding the PPAs. Bidders were also given the option to bid on the PPAs pursuant to two alternatives, i.e., either via a lump-sum payment or through the payment of energy-only pricing (id. at 16-17).

By December 3, 2003, the Companies had received twelve bids, including two bids for the entire PPA portfolio, and one bid for all but one of the PPAs (the latter three bids constituting the "Portfolio Bids") (id. at 17). Of the nine non-Portfolio Bids, four were from counterparties to the PPAs (id. at 21).[5] After analyzing each of the bids on its NPV as compared to the NPV of the PPAs being bid upon, the Company determined that, with respect to the existing NEA PPAs, NEA's bid was the most likely to create the greatest possible reduction in above-market costs based on the price offered and the viability of the bid (id. at 22-23).

The 2003 Auction was recently reviewed and approved by the Department in Ocean State Power. There, the Department found that the 2003 Auction was "equitable and structured to maximize the value of the contracts sold." Ocean State Power at 15; Pittsfield at 22. In the Department's recent approval of the 2003 Auction in Pittsfield, the Department noted a number of features that highlights the competitive nature of the auction:

- First, a large number of parties participated in the Companies' auction; up to 90 parties were contacted initially, with 22 of those becoming Qualified Bidders, and 12 Qualifying Bidders eventually submitting bids (citation omitted).

- Next, Qualified Bidders were provided with contract and invoice data on a uniform basis, and a formal mechanism was established to permit each Qualified Bidder to obtain additional information (citation omitted).

- Each Qualified Bidder was assigned a CEA representative who served as that bidder's single point of contact, allowing access to additional information while maintaining confidentiality (citation omitted).

- Qualified Bidders were free to submit bids on any combination of the Companies' 24 entitlements, in order to maximize the value of the portfolio (citation omitted).

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5 The existing contract counterparties bid specifically on the contract to which they were a counterparty (Exh. NSTAR-RBH at 20).

Ocean State Power at 14; Pittsfield at 21.

Based on the evidence presented during the proceeding concerning the same auction previously approved by the Department in Ocean State Power and Pittsfield, the Companies have demonstrated (and the Department has already found) that "the auction process ensured complete, uninhibited, non-discriminatory access to all data and information by all interested bidders and that the auction process was competitive." Ocean State Power at 14; Pittsfield at 21-22. Accordingly, the Department should find that the 2003 Auction was consistent with the Act and the Companies' Restructuring Settlement and Restructuring Plan.

B. The Companies Have Demonstrated That the NEA Restructuring Will Produce Savings for Customers and Therefore Is Consistent with the Companies' Obligation To Mitigate Transition Costs to the Maximum Extent Possible.

The NEA Restructuring is consistent with the Companies' obligation under the Act to mitigate transition costs to the maximum extent possible. As noted above, although the Companies will continue to purchase electricity and capacity from NEA, the Support Payment is substantially lower than the forecasted above-market costs under the existing NEA PPAs. As a result, the NEA Restructuring mitigates the Companies' overall transition costs that they would otherwise collect from their customers by approximately $52 million on an NPV basis (RR-DTE-3, Attachment DTE-3(d) and Attachment DTE-3(h), which update Exh. NSTAR-BEC-GOL-2 and Exh. NSTAR-

COM-GOL-2 submitted in the initial filing).[6]

The Companies' and CEA's first step in the evaluation of the NEA Restructuring (and other bids for this or other PPAs) was to prepare a forecast of the above-market cost of the PPAs. Then, divestiture or buyout proposals were compared to NPV of the above-market value of the PPAs to determine whether and how much mitigation was represented by the proposal. As indicated by Mr. Hevert, this initial analysis, conducted by CEA, was used as a "screening tool" to compared and evaluate proposals (Exh. AG-3-4 [D.T.E. 04-60]; see also Tr. 1, at 89-90, 101 [D.T.E. 04-60])). Generally, the above-market cost for the existing NEA purchase power contracts is calculated as the present value of the difference between the total costs to be paid for the energy and capacity over the term of the NEA contracts and the market value of that electricity (Exh. NSTAR-RBH at 19). The primary variables in the determining the above-market cost of the existing NEA PPAs were: (1) the market price of energy and capacity; (2) the projected energy production; and (3) in the case of NEA-1, projected fuel price escalation (Exh. NSTAR-RBH at 27). To ensure internal consistency, the fuel, energy, and capacity, price projections were obtained from the same source, a forecast developed by Henwood Associates (the "Henwood Forecast") (id.). The Henwood Forecast provides an industry-known, independent, third-party forecast of the key energy variables needed in this analysis and have been relied on by NSTAR Electric and the Department in the past

[6] As stated in Exhibit AG-1-37, page 2 of 3, "recent changes in the forecasted market prices results in a substantial reallocation of estimated savings among the various contracts and would produce negative savings for customers of Boston Edison" (see RR-DTE-6). In order to ensure that the Boston Edison customers are not harmed by the NEA Restructuring, since the vast majority of the savings are returned to the customers of Commonwealth, the Companies propose to reallocate the savings as set forth in the response to Record Request DTE-3 (Tr. 1, at 61-62).

(Exh. DTE-2-9 [D.T.E. 04-60]). See Pittsfield at 26 ("The Henwood forecast is a widely-available and reasonable proxy for a forecast of the price of electricity."). Moreover, the Henwood forecasts fell between other well-regarded market forecasts (Exh. AG-3-10, Attachment AG-3-10(b) **CONFIDENTIAL** [D.T.E. 04-60]). Finally, CEA applied a discount rate of 7.82 percent to compute the NPV of the above-market costs (Exh. NSTAR-RBH at 27; Exh. AG-1-8 [D.T.E. 04-68].

The second step in this screening process was the calculation of the costs under the proposed mitigation transaction, in this case, the NEA Restructuring. The savings are determined by comparing the forecast Transition Charges to be paid by customers if the NEA PPAs were to remain in effect with the Transition Charges to be paid by customers under the NEA Restructuring. Summaries of the comparison, the annual savings and the NPV savings calculation are shown on Exhibit NSTAR-BEC-GOL-2 and Exhibit NSTAR-COM-GOL-2, and, as updated in the attachments to the response to Record Request DTE-3, demonstrate that the NEA Restructuring provides approximately $52 million in savings to customers over the existing NEA PPAs, on an NPV basis (RR-DTE-3, Attachment DTE-3(d) and Attachment DTE-3(h)).

Accordingly, the evidence on the record in this proceeding strongly supports the Company's estimate of customer savings associated with the NEA Restructuring Therefore, the NEA Restructuring provides for maximum mitigation of Boston Edison's and Commonwealth's transition costs and significant savings to customers.

C. The Companies' Proposed Ratemaking Treatment for the Costs of the NEA Restructuring Is Consistent With Department Precedent.

The Companies' proposed ratemaking treatment for the costs of the NEA Restructuring is consistent with Department precedent and should be approved. The substantial savings associated with the NEA Restructuring are determined, as described above, by comparing the forecast Transition Charges to be paid by customers if the existing NEA PPAs were to remain in effect with the Transition Charges to be paid by customers under the NEA Restructuring (Exh. NSTAR-GOL at 27-28; RR-DTE-3, Attachment DTE-3(d) and Attachment DTE-3(h)).

The NEA Restructuring does not change the volume of electricity purchased through the PPAs and therefore, there is no change in the transfer price for the PPAs from the Standard Offer filing (Exh. NSTAR-GOL at 27). The transfer price equals the Standard Offer Revenues (which do not change) less the short-term purchases (which do not change because the NEA kWh do not change). Thus, all the changes relating to the NEA Restructuring take place in the obligation section of the Transition Charge (id.).

The Companies propose that the costs incurred under the NEA Restructuring continue to be recovered in the variable portion of the Transition Charge of Boston Edison and Commonwealth (Exh. NSTAR-GOL at 29). Of course, the payments made and Transition Charge revenues will continue to be reconciled to actual amounts as part of NSTAR Electric's annual reconciliation process in accordance with the Restructuring Settlement and the Restructuring Plan (id.). Accordingly, the Companies have demonstrated that their proposed ratemaking treatment for the costs of the NEA Restructuring is consistent with Department precedent and should be approved.

V. CONCLUSION

Based on the evidence presented during this case, and for all of the reasons set forth above, the Companies requests that the Department find that:

(1) the 2003 Auction ensured complete, uninhibited non-discriminatory access to all data and information by all parties seeking to participate in the

Auction and therefore was equitable;

(2) the 2003 Auction maximized the value of the Companies' existing NEA purchase power agreements for customers;

(3) the NEA Restructuring, including the First Amendment to the Bellingham Execution Agreement, is consistent with the Companies' Restructuring Settlement and Restructuring Plan;

(4) any and all authorizations that may be required under Massachusetts law for the NEA Restructuring, as described herein, have been satisfied, including, without limitation, approval pursuant to G.L. c. 164, §§ 1A, 1G and 76;

(5) the NEA Restructuring is consistent with applicable law, including relevant portions of the Act and the Companies' approved Restructuring Settlement and Restructuring Plan, is in the public interest, and will result in just and reasonable rates for Boston Edison's and Commonwealth's retail customers, in accordance with G.L. c. 164, §§ 94 and 94A; and

(6) Boston Edison Company and Commonwealth Electric Company, in entering into the NEA Restructuring, have taken all reasonable steps to mitigate, to the maximum extent possible, the total amount of transition costs relating to the Existing NEA purchase-power contracts in accordance with G.L. c. 164, § 1G.

The Companies also respectfully requests that the Department: (1) grant any other approvals and make any other findings that may be necessary or appropriate to facilitate the NEA Restructuring as described herein; and (2) make the requested findings by January 1, 2005.

Respectfully submitted,

BOSTON EDISON COMPANY
COMMONWEALTH ELECTRIC COMPANY

By Their Attorneys,

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Date: December 3, 2004